

# Grapevine

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## TIMELY DATA CIRCULATED WHILE CURRENT

Reports on state tax legislation; state appropriations for universities, colleges  
 and community colleges; legislation affecting education beyond the high school.

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#### DECENTRALIZATION: A NEW ERA OF GOVERNANCE AND ACCOUNTABILITY FOR NEW JERSEY STATE COLLEGES. . . . . 2294-2297

In response to nationwide interest in accountability and autonomy of public universities and colleges, the recent experiences of the nine state colleges in New Jersey are described here. The author, Dr. James Wallace, is Associate Vice President for Resource Management at the University of Medicine and Dentistry of New Jersey. Dr. Wallace is the former Assistant Chancellor for Fiscal Affairs at the New Jersey Department of Higher Education and was the Chair of the State College Autonomy Transition Team.

#### NINE STATES RECEIVED ALMOST \$6.5 BILLION OF STATE TAX FUNDS FOR ANNUAL OPERATING EXPENSES OF HIGHER EDUCATION FOR FISCAL YEAR 1991 (In thousands of dollars)

States	Year 1980-81	Year 1988-89	Year 1990-91	2-yr gain Percent	10-yr gain Percent	Page
(1)	(2)	(3)	(4)	(5)	(6)	
Five states previously reported*						
Five states	2,322,552	3,604,687	4,162,362	15	79	
Idaho	94,146	144,987	183,997	27	95	2297
Kansas	259,859	387,969	458,895	18	77	2297
Nevada	62,107	121,249	156,224	29	152	2298
Ohio	685,292	1,320,808	1,520,055	15	122	2298
<b>Totals</b>	<b>3,423,956</b>	<b>5,579,700</b>	<b>6,481,533</b>			
<b>Weighted average percentages of gain</b>				<b>16</b>	<b>89</b>	

\*In Grapevine, pages 2291-2292, April 1990.

## **DECENTRALIZATION: A NEW ERA OF GOVERNANCE AND ACCOUNTABILITY FOR NEW JERSEY STATE COLLEGES**

by James C. Wallace

In February 1984, the New Jersey Board of Higher Education charged the Commission on the Future of State Colleges to study and to make recommendations regarding the mission, governance and financial management of New Jersey's nine state colleges. The colleges, as state agencies under the control of the Department of Treasury and the Department of Civil Service, lacked the administrative flexibility necessary for the effective development of academic and financial policy. In October 1984, the Board of Higher Education adopted a policy, based on the Commission's recommendation to:

1. remove the state colleges from state agency status,
2. delegate operations and financial authority to the institutional Boards of Trustees, and
3. hold the Boards of Trustees accountable for institutional outcomes.

In July 1986, Governor Thomas H. Kean signed the "State College Autonomy Law" (PL1986, c.42) and the "State College Contracts Law" (PL1986, c.43) which created a new era of governance and accountability for New Jersey's state colleges.

State college autonomy is based on the principle that effective institutional management requires local accountability for all major policy actions. While both statutes were effective immediately, the Board of Higher Education was charged to ensure an orderly transition to full autonomy without disruption of academic programs or fiscal integrity.

The transition was approached as a partnership between the colleges and the Department of Higher Education with the latter providing the necessary coordination with the various departments of state government. Chancellor of Higher Education, T. Edward Hollander, appointed a transition team that consisted of one trustee, three presidents, one vice president for finance and administration, the Executive Director of the State Colleges Governing Boards Association, and three members of the Chancellor's staff. The purpose of this team was to manage the implementation process and to recommend the delegation of specific authority to develop policy and to make decisions to each state college's Board of Trustees, when the necessary administrative system had been developed, documented, implemented and tested, and staff had been trained. A critical element in the transition process was a certification of readiness by an external consultant to the colleges' Boards of Trustees and Presidents.

The transition plan divided the functional areas to be delegated into three phases over a three year time period:

### Phase I (during first year)

1. Purchasing and contracting
2. Travel
3. Payment authorization and voucher preparation
4. Internal auditing

### Phase II (during first and second years)

1. General accounting system
2. Cash management
3. Revenue management
4. Disbursement operations
5. External auditing
6. Capital facilities and equipment planning, design, and construction
7. Institutional borrowing
8. Management information system

### Phase III (during third year)

1. Payroll system
2. Risk management

Each institution developed its own comprehensive plan for system development, including the preparation of written policies and operating procedures, staffing requirements and training schedules, data processing enhancements, testing schedules and requirements for transitional funds. Plans were to conform to industry standards and guidelines published in Audit of Colleges and Universities (American Institute of Certified Public Accountants) and College and University Business Administration (National Association of College and University Business Officers). During the course of the transition process, periodic written progress reports were to be issued to the Board of Higher Education. While the goal was for the nine state colleges to maintain a single timetable for implementation, exceptions were authorized, but only to the extent that such exceptions were not disruptive to the functioning of the Departments of Treasury and Civil Service.

Each college engaged an appropriately experienced consultant to certify to its President and Board of Trustees that it was prepared to implement each function. At this point, the transition team would review the materials and, as appropriate, recommend that the Chancellor seek Board of Higher Education action to delegate the particular function to the college's Board of Trustees.

The chart on the next page shows the changes that have now taken place in several specific powers of the Boards of Trustees. The following have been and continue to be powers of the Boards of trustees, subject to the general policies, guidelines, and procedures set by the Board of Higher Education:

1. Adopt and use corporate seal
2. Determine the educational curriculum and programs of the college
3. Determine policies for organization, administration and development of the college
4. Adopt, after consultation with president and faculty, bylaws, rules and regulations for administration and operation of the college
5. Grant diplomas, certificates, and degrees
6. Eminent Domain
7. Establish fees for room and board

Governor Kean, in his annual message to the legislature in 1987, stated "the college autonomy legislation gives our educational leaders the opportunity to improve colleges equipped with an entrepreneurial spirit....Now our college system has wings to soar."

Now that the administrative work has been completed and authority has been delegated, the central goal of autonomy--the improvement of New Jersey state colleges--can be achieved. The trustees and leaders of each campus have responded effectively to implement self-governance and accountability systems to achieve academic distinctiveness. Increased responsibility and ownership of outcomes have encouraged greater long-range planning, reduced bureaucratic barriers to administrative efficiency, increased productivity, increased campus morale, improved the quality and diversity of academic programs, and has resulted in greater visibility for each state college and its unique position in the local, regional and national marketplace. The citizens and future generations of students in New Jersey can expect to enjoy the benefits envisioned when the Board of Higher Education implemented the recommendations of the Commission on the Future of the State Colleges.

NEVADA

Table 8. State tax-fund appropriations for the operating expenses of higher education for fiscal years 1989-90 and 1990-91 in Nevada.  
(In thousands of dollars)

Institutions (1)	Sums appropriated	
	1989-90 (2)	1990-91 (3)
U of Nevada, Reno	39,287	41,541
School of medicine	8,380	8,518
Ag experiment station	3,551	3,639
Coop extension service	3,079	3,139
Intercollegiate athletics	995	1,012
Statewide programs	3,199	3,264
<u>Subtotal, U of N. R</u>	<u>58,491</u>	<u>61,113</u>
U of Nevada, Las Vegas	40,351	43,508
Statewide programs	411	417
Intercollegiate athletics	995	1,012
<u>Subtotal, U of N. LV</u>	<u>41,757</u>	<u>44,937</u>
Community College Division		
Clark County	12,691	13,307
Truckee Meadows	8,246	8,647
Western Nevada	4,828	5,232
Northern Nevada	2,521	2,682
<u>Subtotal, C C's</u>	<u>28,286</u>	<u>29,868</u>
Business Center North	1,022	1,059
Business Center South	858	889
System computing center	5,089	5,196
Desert Research Institute	1,588	1,617
University Press	297	306
National Direct Student Loan	30	30
System administration	1,510	1,572
Salary adjustment	6,340	6,715
Merit increases	1,368	2,922
<u>Total</u>	<u>146,636</u>	<u>156,224</u>

OHIO

Table 9. State tax-fund appropriations for the operating expenses of higher education for fiscal years 1989-90 and 1990-91 in Ohio.  
(In thousands of dollars)

Institutions (1)	Sums appropriated	
	1989-90 (2)	1990-91 (3)
Ohio State University	259,902	274,105
Clinical teaching	16,468	17,987
Ag research center	21,714	23,061
Cooperative extension	14,353	15,097
<u>Subtotal, OSU</u>	<u>312,437</u>	<u>330,250</u>
University of Cincinnati	128,537	136,194
Clinical teaching	11,504	11,906
<u>Subtotal, U of C</u>	<u>140,041</u>	<u>148,100</u>
University of Akron	77,409	83,141
Ohio University	74,025	79,569
Kent State University	67,865	71,578
University of Toledo	63,481	69,733
Bowling Green State U	59,977	63,190
Wright State University	59,518	62,357
Cleveland State University	54,731	60,102
Miami University	50,188	52,414
Youngstown State University	41,403	43,611
Central State University	13,896	14,361
Shawnee State University	10,768	12,591
Medical College of Ohio	25,999	27,447
Northeastern Med College	12,090	12,633
Case Western Reserve*	5,641	5,528
Community Colleges	102,075	107,467
University branches	52,820	56,259
Technical colleges	68,322	73,422
Instructional grants	52,646	54,056
Board of Regents	3,218	3,421
Special projects	9,079	9,761
Academic scholarships	3,591	3,591
Selective excellence	30,006	37,868
Student choice grants**	20,083	21,400
Miscellaneous health ed	15,732	16,205
<u>Totals</u>	<u>1,427,041</u>	<u>1,520,055</u>

\*Subsidy to this private university for education in medicine and dentistry.  
\*\*Provides aid to students attending in-state private institutions.

GRAPEVINE

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NEW JERSEY STATE COLLEGES

Glassboro State College  
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 Ramapo College of New Jersey  
 Trenton State College  
 Thomas A. Edison State College

Jersey City State College  
 Montclair State College  
 Richard Stockton State College  
 William Paterson College of New Jersey

Selected Statistics on the Nine State Colleges

FY1988-89	Undergraduate Enrollment	63,350
FY1988-89	Graduate Enrollment	11,561
Fall 1989	Full-time Faculty	2,334
FY1989	State Appropriations	\$230,755,000
FY1989	Other Income	\$147,181,000
FY1989	Building Replacement Cost	\$654,523,000

IDAHO

Table 6. State tax-fund appropriations for the operating expenses of higher education for fiscal years 1989-90 and 1990-91 in Idaho.  
 (In thousands of dollars)

Institutions (1)	Sums appropriated	
	1989-90 (2)	1990-91 (3)
University of Idaho	44,930	51,755
Ag research & coop ext	13,367	14,997
WAMI medical education	1,893	1,973
WOI veterinary medicine	860	923
Forestry research	251	456
Geological survey	446	478
<u>Subtotal, U of I,</u>	<u>61,747</u>	<u>70,582</u>
Boise State University	33,447	39,137
Idaho State University	28,841	33,894
Lewis-Clark State College	5,327	6,384
Competitive Research	2,000	2,500
Junior College support	6,988	8,393
Vocational education	16,875	19,513
State Board of Education	998	1,307
Scholarships and grants	1,396	1,630
Medical education	628	657
<u>Total</u>	<u>158,247</u>	<u>183,997</u>

KANSAS

Table 7. State tax-fund appropriations for the operating expenses of higher education for fiscal years 1989-90 and 1990-91 in Kansas.  
 (In thousands of dollars)

Institutions (1)	Sums appropriated	
	1989-90 (2)	1990-91 (3)
University of Kansas	99,584	101,971
Medical center	61,250	68,959
<u>Subtotal, U of K,</u>	<u>160,834</u>	<u>170,930</u>
Kansas State University	100,362	105,316
Veterinary medical center	7,484	7,877
<u>Subtotal, KSU,</u>	<u>107,846</u>	<u>113,193</u>
Wichita State University	45,580	47,711
Pittsburg State University	20,888	22,168
Fort Hays State University	19,800	20,733
Emporia State University	20,042	20,723
Kansas Technical Institute	3,709	4,105
Board of Regents	8,349	9,205
<u>Subtotal, Regents System,</u>	<u>387,048</u>	<u>408,768</u>
Aid to Washburn University	5,949	6,090
Aid to community colleges	42,612	44,037
<u>Total</u>	<u>435,609</u>	<u>458,895</u>

**GRAPEVINE**

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<u>Power</u>	<u>Before Autonomy</u>	<u>Under Autonomy</u>
Name the college	By the Board of Higher Education (BHE)	By the Board of Trustees (BOT) with approval of BHE
Appoint and fix compensation of president	With approval of BHE	By BOT in accordance with Appropriations Act
Prepare the budget in conjunction with BHE	Subject to rules and regulations of Department of Treasury	By BOT with BHE Guidelines
Expend appropriations and other funds	Subject to extensive state control as part of the state accounting system	Within the control of the BOT in accordance with Appropriations Act
Transfer funds within budget	Subject to appropriations act and approval of Department of Higher Education, Division of Budget and Accounting, and Legislative Budget and Finance Director	Transfer of appropriations and tuition funds must be reported to the Division of Budget and Accounting and to the Chancellor (subject to Appropriations Act)
Transfer funds to college	Appropriations, tuition and other funds retained by state; bills paid by state	Tuition retained by college; appropriations transferred to college in 12 equal monthly installments; bills paid by college
Appoint and fix compensation and terms of employment of faculty, administrative and other professional staff	In accordance with salary ranges and policies adopted by BHE with the concurrence of the Governor. (By practice, certain Department of Civil Service rules and regulations apply.)	In accordance with salary ranges and policies adopted by BHE with the concurrence of the Governor (Department of Civil Service rules and regulations replaced by BHE regulations)
Enter into contracts for purchase of land, buildings, goods and services	Subject to policies, guidelines and procedures of BHE with the concurrence of the Treasurer and Director of Division of Purchase and Property	Within the control of the BOT pursuant to State College Contracts Law
Fix tuition and other fees	By BHE	By BOT within BHE guidelines
Retain fees from housing, food service, student union, parking and other sources	Retained by state on behalf of college	Retained by BOT within BHE guidelines
Accept grants, contributions of money or property	Placed into state accounting system to be retained by state or reallocated to college depending upon circumstances	Retained by BOT
Invest funds	State retained all earnings on funds	Earnings retained by college (Investments made by state Division of Investments with approval of BOT)
Acquire, own, lease and dispose of land and personal property	All lands and personal property owned by state with accompanying state controls regarding use and disposition	Current land and property subject to state control; future property in the name of the college and not subject to state controls
Authorize capital construction	Subject to approval of BHE	Subject to approval of BHE if cost over \$500,000
Manage, maintain and provide for payment of all charges and expenses for all property utilized by college	Payments made by state.	Payment made directly by college